

Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 NSC-05 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 OMB-01 TRSE-00 IGA-02 L-03 H-02 /048 W

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R 051930Z NOV 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8599

INFO SECDEF WASHDC

CNO WASHDC

C O N F I D E N T I A L BRASILIA 9338

SECDEF FOR DSAA, CNO FOR OP-634

E.O. 11652: GDS

TAGS: MARR, BR

SUBJ: LEASE OF USN SHIPS/CRAFT TO BRAZILIAN NAVY

REF: A) STATE 181624Z SEP 76 B) CHNAVSEC USMILGP BRAZIL

RIO DE JANEIRO BR 172352Z JUN 76 C) CNO WASHDC 242316Z SEP 76

1. BRAZILIAN NAVY HAS SIX SHIPS/CRAFT UNDER LEASE FROM USN WITH
EXPIRATION DATES AS FOLLOWS:

A. AFDL-39 10NOV 76

B. ARB-12 19 JAN 77

C. ARD-14 25 JAN 77

D. YFN-903 25 JAN 77

E. LST-1174 15 JAN 78

F. T-AGOR-6 1 JUL 79

ALL EXCEPT T-AGOR-6 WERE OFFERED FOR SALE TO BRAZILIAN NAVY IN
ACCORDANCE WITH REFTEL A IN DEC 75. BRAZILIAN NAVY DECLINED TO
PURCHASE AND REQUESTED THE NORMAL EXTENSION OF 5 YEARS FOR
AFDL-39, ARB-12, ARD-14 AND YFN-903. REFTEL B REQUESTED RESOLU-
TION FROM CHIEF OF NAVAL OPERATIONS (CNO).

2. IN REFTEL C, CNO, WITH STATE CONCURRENCE, PROVIDED
FOLLOWING INSTRUCTIONS:

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A. USG WILL CONSIDER LEASE EXTENSION OF 2 YEARS FOR AFDL-39, ARB-12, ARD-14 AND YFN-903. SUBSEQUENT LIAISON WITH NAVAL OPERATIONS INDICATES THAT FUTURE EXTENSIONS MAY NOT BE FEASIBLE.

B. BRAZILIAN NAVY SHOULD PLAN TO PURCHASE LST-1174. (LEASE EXTENSION NEXT YEAR MAY BE DIFFICULT OR IMPOSSIBLE).

C. T-AGOR-6 NOT FOR SALE. INTENTION IS TO RECALL T-AGOR-6 FOR USN OCEANOGRAPHIC USE WHEN LEASE EXPIRES.

3. OUR INFORMAL CONTACTS WITH BRAZILIAN NAVY INDICATES STRONG PREFERENCE ON THEIR PART FOR FIVE YEAR LEASE EXTENSION. THERE IS INTEREST IN EVENTUAL PURCHASE OF SOME SHIPS/CRAFT, BUT SINCE FUNDS NOT AVAILABLE AT PRESENT TIME, BRAZILIAN NAVY'S ONLY ALTERNATIVE UNDER TERMS OF REFERENCE CONTAINED REFTEL C WOULD BE TO ACCEPT TWO YEAR EXTENSION. HOWEVER, THE FUNDS REQUIRED TO PURCHASE ALL SHIPS/CRAFT AFTER TWO YEAR LEASE, IF RENEWAL NOT POSSIBLE, IS HIGH FOR LIMITED BRAZILIAN NAVY BUDGET. FOR BUDGET YEAR 78: US DOLS 580K REQUIRED; FOR YEAR 79: USDOLS 577K REQUIRED. THE DECISION TO SPEND EVEN THIS RELATIVELY SMALL AMOUNT OF FOREIGN EXCHANGE WOULD BE PAINFUL, EXPECIALLY CONSIDERING:

A. AFDL-39, ARB-12, AND ARD-14 ARE WORLD WAR II VINTAGE AND WILL NOT BE ECONOMICALLY FEASIBLE TO OPERATE BEYOND EARLY 80'S AT THE LATEST.

B. LST-1174 WAS BUILT IN 1957. ITS SERVICE LIFE IS PROBABLY ANOTHER SEVEN OR EIGHT YEARS.

4. PRACTICAL EFFECT OF TERMS OF REFERENCE CONTAINED REFTEL C MAY THUS BE THE EVENTUAL RECALL OF SOME OR ALL OF SHIPS INVOLVED. THE TIMING OF THIS ACTION IS UNFAVORABLE, SINCE ANNOUNCEMENT COULD OCCUR SIMULTANEOUSLY WITH REDUCTION IN U.S. FLAG OFFICER REPRESENTATION ON USDEL TO JBUSMC. THE SHIPS/CRAFT INVOLVED ARE OF LIMITED OPERATIONAL VALUE TO THE USG, BUT GENERALLY SUPPORT OR STRATEGIC GOALS IN HANDS OF BRAZILIAN NAVY. THE USG WOULD DOUBTLESS SCRAP THOSE SHIPS/CRAFT WHICH THE BRAZILIANS WOULD NOT OR COULD NOT AFFORD TO PURCHASE AFTER SHORT-TERM LEASE TERMINATION, WERE LEASE RENEWAL UNAVAILABLE. TO SCRAP THEM IN CONFIDENTIAL

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BRAZIL COULD BE IRRITATING TO BRAZILIANS. TO BRING THEM BACK TO U.S. FOR SCRAP WOULD BE WASTEFUL AND WOULD ALSO RAISE THE QUESTION OF WHICH COUNTRY PAYS FOR THE COSTLY RETURN TRIP.

5. ALTHOUGH WE RECOGNIZE DEPARTMENT IS IN A BETTER POSITION TO ASSESS CONGRESSIONAL PERSPECTIVE ON SHIP LOANS/LEASES, IT OCCURS TO US THAT LONGER LEASE MIGHT BE PREFERABLE. PURCHASE, LEASE OR LEASE RENEWAL FOR ALL SHIPS BUT YFN-903 REQUIRES

CONGRESSIONAL ASSENT PER BYRD AMENDMENT. AS REFTEL POINTS OUT, SHIP TRANSFERS TO LATIN AMERICAN STATES HAVE BEEN CONTROVERSIAL WITH THE CONGRESS. SHOULD EXECUTIVE BRANCH CONCUR TWO YEARS HENCE WITH PROBABLE GOB REQUEST FOR ANOTHER LEASE RENEWAL, DEPARTMENT WOULD BE REQUIRED ONCE AGAIN TO MAKE PITCH TO CONGRESS FOR APPROVAL OF TRANSFER. AT SAME TIME, IN BRAZIL, GOB, WHICH HAS HIGHLY CENTRALIZED DECISION-MAKING PROCESS RE DEFENSE AFFAIRS, WILL BE CAUGHT UP WITHIN TRANSITION BETWEEN PRESIDENT GEISEL'S ADMINISTRATION AND ITS SUCCESSOR AND VIRTUALLY IMMOBILIZED IN ITS CAPABILITY TO MAKE DECISIONS RE DISPOSITION OF OTHER THAN LEASE EXTENSION OF VESSELS.

6. CONSIDERING FACTORS ABOVE, WE SEE MERIT IN MAKING VESSELS AVAILABLE TO GOB UNDER FIVE YEAR LEASES AND RECOMMEND THAT DEPARTMENT CONSIDER CHANGING TERMS OF REFERENCE CONTAINED REFTEL C ACCORDINGLY FOR VESSELS A THROUGH E PARAGRAPH 1. CRIMMINS

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